

# BRANDS GET STRATEGIC AMID SHIFTING LANDSCAPE

by Chris Adams

Pulling through the recession, amid reports of the growth of private label products among cost-conscious consumers, common sense may lead you to think that brands and brand licenses have taken it on the chin. While there is no denying that the going has been tough at retail, the recession has sparked new interest in licensing among major corporations.

"In a tough economy, there are more and more corporations that are looking to generate incremental revenue and they turn to licensing as a mechanism to do that," says Ross Misher, CEO of Brand Central.

Brand Central isn't the only licensing agency capturing the interest of corporations looking to generate incremental income.

"We have done an incredible amount of consultancy over the past six months for big brands that are now interested in brand extension," says Angela Farrugia, group managing director for The Licensing Company (TLC).

Generating incremental income is one major factor behind this increased interest in brand licensing, but it isn't the only factor. In an age where a national marketing budget is a huge expense amidst tightened corporate belts, brand holders are looking for less expensive, more targeted ways to get their brands in front of consumers.

"Licensing can play an important role in building brand awareness, reaching new consumers, and contributing new brand attributes," says Michael Stone, president and CEO of The Beanstalk Group. "In the past decade, brand extensions—particularly for corporate brands—have become more



*The Jeep Battalion luggage is a key focus of the Jeep licensing program, which is managed by The Joester Loria Group.*

sophisticated and strategic, ensuring licensing has a greater piece of the marketing pie and making it possible for licensing to become a strategic part of a business's success—or at least one of the most productive tools in the marketing arsenal."

Of course, even with the renewed interest in licensing because of revenue generation and marketing reasons, that is not to say that the past few years have not been challenging in the brand licensing world. "Strategic" was a word that came up a lot during the interviews conducted for this article.

"There has been a return to strategy and a return to things that truly make sense in brand extension," says TLC's Farrugia. "What's gone is the fluff and the stuff that doesn't stand up because it doesn't have a reason to be."

As licensors become more strategic with the number and type of deals they are forging, the terms of the deals themselves have also evolved. The result is deals that require a more active partnership from all parties involved.

"In today's competitive environment, we have seen the paradigm of licensing shift: financial terms in license agreements are changing, licensors are becoming more flexible in their agreements as well as in the kind of support they offer licensees, retailers are much more involved in the process, agents are required to be more service-oriented after the deal is signed, and programs cannot succeed without management, oversight, and service," says Beanstalk's Stone. "I constantly remind our professionals and our clients that we need to be smart about our deal-making and that we need to be cognizant of this new reality."

## PRIVATE LABEL

The past couple of years or so have seen numerous reports on the trend of cash-strapped consumers turning to private label brands. There is no denying that sales of private label products have grown sharply. Surprisingly, a growth in private label can actually offer brand owners opportunities. Many manufacturers have a side business of offering overrun and sub-par excess that can't be given a brand label as generic or private label products. In addition, some retailers look at direct-to-licensing opportunities as a means of meeting private label goals. Especially in grocery chains, co-branding between brands and private labels is an area of opportunity.

As for the status of private label business right now, many of those interviewed mentioned that there is an ongoing pendulum between branded and private label products and that as we head further into 2010 the pendulum is already starting to swing away from the far reaches of the private label end of the spectrum toward a more moderate private label/branded product ratio.

"There is nothing new about retailers focusing on private label brands," says Beanstalk's Stone. "While retailers focus on private label brands, it never means that they are abandoning well-known brands or licensed products."

The idea is that the brands that are being managed and marketed correctly aren't taking a big hit because of private label products. Well-managed brands have a well-established relationship with consumers demonstrating their need for the products.



*Drinkware is a very important category for The Coca-Cola Company.*

"Conventional thinking is that during tough times consumers turn away from brands, but they don't," says Rob Frankel, branding expert and author of *The Revenge of Brand X: How to Build a Big Time Brand on the Web or Anywhere Else*. "Consumers turn away from brands that don't articulate why they should be perceived as the only solution. If brands don't give consumers any reasons to perceive them as the only solution, the only criteria left is price."

Creating a sense of loyalty is the key to this relationship. This is fostered by brands having an open dialog with consumers and meeting the needs the consumers express. "Brands must listen to their consumers and never become comfortable in their brand-of-choice position,"

says Toby Southgate, managing director at The Brand Union. "As soon as a brand stops asking customers what they want and how the brand is performing against the consumers' choice criteria, it will suffer."

## CHALLENGES & OPPORTUNITIES

In spite of the difficulties that the economy and shrinking retail base have presented over the past few years, there are still opportunities out there for well-managed brands. There may not be as many opportunities and there may be less room

for error, but these factors were changing the licensing industry even before the economy started its long slide.

"We have found that the opportunities still exist," says Kate Dwyer, group director, worldwide licensing, at The Coca-Cola Company. "The challenge is that they require more effort and more resources to secure."

Part of the key to Coca-Cola's licensing success—in addition to being properly managed—is the fact that it is a stellar brand with unparalleled name recognition. It is the more-established, stronger brands that are doing well in the current retail climate.

"The market is more challenging than ever on many levels, but good brands still break through the clutter," says Debra Joester, president of The Joester Loria Group. "Established brands, with key licensees in place, a defined brand strategy, and a track record at retail, need to evaluate the competition, the brand growth trajectory, and whether an adjustment in the brand, marketing, and retail strategy is appropriate."

Managing a brand licensing program in 2010 requires more work on the licensor, licensee, retail, and consumer ends. That is the reality. That being said, most interviewed for this article say they are taking a proactive approach to the situation rather than lamenting how the industry has changed. And, even amid a recession, this diligence is paying off.



*The Maya Group will launch several Ford models in its R/C line this fall. The Ford program is managed by The Beanstalk Group.*